

Message Text

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43

ACTION OES-04

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CIAE-00 INR-05 L-02 NSAE-00 NSC-05 RSC-01 FEAE-00

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 5005

INFO USMISSION IAEA VIENNA

AMEMBASSY BUENOS AIRES

AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY SEOUL

AMEMBASSY TOKYO

AMEMBASSY BRUSSELS

USAEC GERMANTOWN

C O N F I D E N T I A L OTTAWA 3761

E.O. 11652: N/A

TAGS: TECH, PARM, CA, ETRD

SUBJECT: STATUS OF CANADIAN NUCLEAR EXPORT POLICY REVIEW

DEPT ALSO FOR INR/STA/MARCUM

USAEC FOR DIP/HELFRICH

1. AS THE TIME APPROACHES WHEN FEDERAL CABINET IS EXPECTED TO COMPLETE ITS REVIEW OF CANADA'S EXPORT POLICY ON NUCLEAR POWER REACTORS, APPREHENSION IS MOUNTING IN COMMERCIAL AND AECL CIRCLES THAT NEW POLICY MAY BE ONE OF WITHDRAWING COMPLETELY, OR NEAR

COMPLETELY, FROM THE INTERNATIONAL EXPORT FIELD. SEVERAL RECENT REPORTS REACHING EMBASSY SCICOUNS AS WELL AS PRESS ARTICLES HAVE LENT CREDENCE TO THE BELIEF THAT THIS OPTION IS BEING SERIOUSLY CONSIDERED. FROM THE POINT OF VIEW OF THE NUCLEAR INDUSTRY AND AECL, FOLLOWING FACTORS MIGHT TIP THE SCALE IN THE
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CABINET'S DELIBERATIONS:

A. SENIOR GOVERNMENT OFFICIALS, ESPECIALLY PRIME MINISTER APPARENTLY FEEL KEENLY ABOUT WHAT HAPPENED IN INDIAN SITUATION AND IN SOME CASES PERHAPS EVEN THAT THEY WERE MADE VICTIMS OF INTENTIONAL DUPLICITY BY THEIR INDIAN COUNTERPARTS. THIS COMBINED WITH GENUINE PUBLIC SENTIMENT THAT CANADA SHOULD NOT TAKE UNDUE RISKS THAT MIGHT PROMOTE FURTHER NUCLEAR PROLIFERATION STRONGLY WEIGHS IN FAVOR OF TOUGH POSITION ON SAFEGUARDS IF NOT TOTAL WITHDRAWAL FROM INTERNATIONAL MARKET.

B. CREDIT AVAILABLE THROUGH CANADIAN CHANNELS FOR LARGE NUCLEAR PROJECTS IN THE INTERNATIONAL MARKET IS TIGHT, IF NOT IMPOSSIBLE IN CURRENT ECONOMIC SITUATION.

2. PRIVATE INDUSTRY AND AECL ARE REPORTEDLY SUBMITTING NEW BRIEFS TO CABINET AND FINAL DECISION IS EXPECTED WITHIN A MATTER OF WEEKS, IF NOT DAYS.

3. COMMENT: GIEN VCANADA'S TRADITIONAL ACTIVITY IN THE INTERNATIONAL EXPORT MARKET GENERALLY, WE FIND IT DIFFICULT TO BELIEVE THAT FINAL DECISION WOULD BE TO WITHDRAW COMPLETELY FROM THE INTERNATIONAL NUCLEAR POWER EXPORT FIELD. SELECTED WITHDRAWAL, E.G., FROM ARGENTINE CONTRACT AND POSSIBLY KOREAN BUT REMAINING ACTIVE IN OTHER AREAS SUCH AS DENMARK, WOULD SEEM MORE CONSISTENT AND RATIONAL BUT WOULD BE MORE DIFFICULT TO JUSTIFY IN INTERNATIONAL FORA AND COULD HAVE ADVERSE REPERCUSSIONS ON OTHER ASPECTS OF CANADIAN TRADE WITH COUNTRIES FROM WHICH THEY WITHDRAW. IT CANNOT BE DENIED, HOWEVER, THAT SITUATION OFFERS GOC OPPORTUNITY TO EXPRESS WOMEWHAAT SELF-SERVING CONCERN ON PROLIFERATION ISSUE, STRENGTHEN ITS LEADERSHIP ROLE IN SAFEGUARDS AND DISARMAMENT, AND CONSERVE SCARCE INTERNATIONAL CREDITS FOR OTHER EQUALLY, IF NOT MORE, PROFITABLE USE.
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